

Attention Business Owners, Business Managers, HR Departments

The State of Washington passed the Washington Cares Act in 2019 which will be adding a mandatory tax on every worker in Washington that receives W-2 income.

Employers will be required to:

1. Inform the employees that the tax will be deducted beginning January 1, 2022.
2. Inform them that they have the option to opt out of the tax if they have a long-term care policy,
3. Collect and retain a copy of the employee's policy's declaration page and exemption approval letter.

This tax is .58% of gross W-2 wages (\$0.58 per \$100 of wages) on every paycheck until retirement, leaving to work on another state or death. Remember this is a tax on W-2 income, so every time a bonus is paid or there is a raise in pay, more taxes will be paid, *plus there is no cap on this tax like Social Security.*

Will this tax increase? Yes! How much, I do not know. What I do know is that the tax is too low for the benefits they are offering, which means the tax will have to increase substantially to keep the program afloat. This means an increase in taxes will be taken out of each paycheck!

There are a few problems with the State plan:

1. The long-term care benefits \$100 per day for 1 year (365 days), which is substantially lower than the average \$300 per day in Washington long-term care facilities. The average cost is increasing faster than inflation, which means you will have a lot more out of pocket costs when you need long-term care.
2. To receive this benefit, it must be from an approved Washington State provider. If you are out of state, no benefits will be received.
3. For vesting, the employee must pay the tax for a full 10 years without a break of 5 years or more. If you have a break of 5 years before paying a full 10 years, you are not vested and will receive no benefits. Or vesting option 2, you must pay the tax for 3 consecutive years out the previous 6 prior to a claim or you will not receive a benefit.
4. Taxes will start being collected on January 1, 2022; however, the benefits are not available to start until January 1, 2024.

There is an option, the employees can opt out of the tax by purchasing a comparable group or individual long term care plan.

What should you do as the employer?

1. Consider offering a voluntary group long-term care plan to your employees (the lowest cost option).
2. If you don't want to offer a group plan, allow the employees to work with us to get advice on their options.
3. Consider a plan for yourself and spouse if you receive W-2 income.

If you have any questions, please, call us at: (206) 414-4635 or email us at:
benecorpmk@gmail.com